FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The agency's financial statements and additional information for fiscal years (FY) 2008 and 2007 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2008 and 2007, amounts of economic benefits owned or managed by the Social Security Administration (SSA) (assets) exclusive of items subject to stewardship reporting, amounts owed by SSA (liabilities), and residual amounts retained by SSA, comprising the difference (net position). A Balance Sheet by Major Program is provided as additional information.

- The **Consolidated Statements of Net Cost** present the net cost of operations for the periods ended September 30, 2008 and 2007. SSA's net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by SSA's major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. A Schedule of Net Cost is provided to show the components of net cost activity as additional information.

- The **Consolidated Statements of Changes in Net Position** present the change in net position for the periods ended September 30, 2008 and 2007. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.

- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the periods ended September 30, 2008 and 2007. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.

- The **Statement of Social Insurance** presents the actuarial present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future income and cost expected to arise from the formulas specified in current law for current and future program participants. The difference between these values is presented, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period, in order to provide an indication of the program's financial status.

- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures are accompanied by a narrative describing the program, how it is financed, how benefits are calculated and an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2008 and 2007

(Dollars in Millions)

Assets	**2008**	2007
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 6,949**	$ 6,146
Investments (Note 5)	**2,367,138**	2,182,091
Interest Receivable, Net (Note 5)	**29,112**	27,727
Accounts Receivable, Net (Note 6)	**425**	451
Total Intragovernmental	**2,403,624**	2,216,415
Accounts Receivable, Net (Notes 3 and 6)	**8,931**	8,017
Property, Plant, and Equipment, Net (Notes 3 and 7)	**2,121**	1,892
Other	**4**	5
Total Assets	**$ 2,414,680**	$ 2,226,329
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**$ 3,937**	$ 3,802
Accounts Payable	**8,044**	7,656
Other	**256**	227
Total Intragovernmental	**12,237**	11,685
Benefits Due and Payable	**73,127**	69,938
Accounts Payable	**423**	372
Other	**1,401**	1,263
Total Liabilities	**87,188**	83,258
Net Position		
Unexpended Appropriations-Earmarked Funds (Note 9)	**54**	57
Unexpended Appropriations-Other Funds	**1,724**	2,222
Cumulative Results of Operations-Earmarked Funds (Note 9)	**2,325,293**	2,140,617
Cumulative Results of Operations-Other Funds	**421**	175
Total Net Position	**2,327,492**	2,143,071
Total Liabilities and Net Position	**$ 2,414,680**	$ 2,226,329

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Net Cost for the Years Ended September 30, 2008 and 2007
(Dollars in Millions)

	2008	2007
OASI Program		
Benefit Payments	**$ 505,221**	481,026
Operating Expenses (Note 10)	**3,379**	3,099
Total Cost of OASI Program	**508,600**	484,125
Less: Exchange Revenues (Notes 11 and 12)	**12**	9
Net Cost of OASI Program	**508,588**	484,116
DI Program		
Benefit Payments	**104,103**	97,410
Operating Expenses (Note 10)	**2,700**	2,560
Total Cost of DI Program	**106,803**	99,970
Less: Exchange Revenues (Notes 11 and 12)	**30**	8
Net Cost of DI Program	**106,773**	99,962
SSI Program		
Benefit Payments	**38,349**	34,142
Operating Expenses (Note 10)	**3,132**	3,117
Total Cost of SSI Program	**41,481**	37,259
Less: Exchange Revenues (Notes 11 and 12)	**297**	261
Net Cost of SSI Program	**41,184**	36,998
Other		
Benefit Payments	**10**	8
Operating Expenses (Note 10)	**1,844**	
Total Cost of Other Program	**1,854**	1,697
Less: Exchange Revenues (Notes 11 and 12)	**8**	6
Net Cost of Other	**1,846**	1,691
Total Net Cost		
Benefit Payments	**647,683**	612,586
Operating Expenses (Note 10)	**11,055**	10,465
Total Cost	**658,738**	623,051
Less: Exchange Revenues (Notes 11 and 12)	**347**	284
Total Net Cost	**$ 658,391**	$ 622,767

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2008 and 2007 (Dollars in Millions)

	2008		2007	
	Cumulative Results of Operations	**Unexpended Appropriations**	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances				
Earmarked Funds	**$ 2,140,617**	**$ 57**	$ 1,954,921	$ 57
All Other Funds	**175**	**2,222**	(161)	1,614
Beginning Balances, Total	**$ 2,140,792**	**$ 2,279**	$ 1,954,760	$ 1,671
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds		**17,840**		19,335
All Other Funds		**43,847**		40,334
Other Adjustments				
Earmarked Funds		**(10)**		(9)
All Other Funds	**0**	**(56)**	0	0
Appropriations Used				
Earmarked Funds	**17,833**	**(17,833)**	19,326	(19,326)
All Other Funds	**44,289**	**(44,289)**	39,726	(39,726)
Tax Revenues-Earmarked Funds (Note 13)	**671,182**		647,387	
Interest Revenues-Earmarked Funds	**115,105**		108,457	
Transfers In/Out Without Reimbursement				
Earmarked Funds	**(5,247)**		(6,268)	
All Other Funds	**6,957**		6,652	
Railroad Retirement Interchange-Earmarked Funds	**(4,184)**		(4,068)	
Net Transfers In/Out				
Earmarked Funds	**(9,431)**		(10,336)	
All Other Funds	**6,957**		6,652	
Other Budgetary Financing Sources- Earmarked Funds	**83**		69	
Other Financing Sources (Non-Exchange)				
Transfers In/Out-All Other Funds	**0**		(17)	
Imputed Financing Sources- All Other Funds (Note 14)	**496**		541	
Other				
Earmarked Funds	**0**		(119)	
All Other Funds	**(3,201)**		(2,887)	
Total Financing Sources				
Earmarked Funds	**794,772**	**(3)**	764,784	0
All Other Funds	**48,541**	**(498)**	44,015	608
Net Cost of Operations				
Earmarked Funds	**610,096**		579,088	
All Other Funds	**48,295**		43,679	
Net Change				
Earmarked Funds	**184,676**	**(3)**	185,696	0
All Other Funds	**246**	**(498)**	336	608
Ending Balances				
Earmarked Funds	**2,325,293**	**54**	2,140,617	57
All Other Funds	**421**	**1,724**	175	2,222
Total All Funds	**$ 2,325,714**	**$ 1,778**	$ 2,140,792	$ 2,279

The accompanying notes are an integral part of these financial statements.

Combined Statements of Budgetary Resources for the Years Ended September 30, 2008 and 2007
(Dollars in Millions)

	2008	2007
Budgetary Resources (Note 15)		
Unobligated Balance, Brought Forward, October 1	**$ 3,146**	$ 1,791
Recoveries of Prior Year Unpaid Obligations	**619**	485
Budget Authority		
Appropriation	**864,648**	832,560
Spending Authority from Offsetting Collections		
Earned		
Collected	**4,429**	3,984
Change in Receivable	**1**	9
Change in Unfilled Customer Orders		
Advance Received	**19**	348
Expenditure Transfers from Trust Funds	**9,835**	9,364
Subtotal	**878,932**	846,265
Nonexpenditure Transfers, Net	**189**	274
Temporarily Not Available Pursuant to Public Law	**(183,086)**	(183,870)
Permanently Not Available	**(68)**	16
Total Budgetary Resources	**$ 699,732**	$ 664,961
Status of Budgetary Resources (Note 15)		
Obligations Incurred		
Direct	**$ 692,452**	$ 657,824
Reimbursable	**4,420**	3,991
Subtotal	**696,872**	661,815
Unobligated Balances		
Apportioned	**1,015**	2,802
Unobligated Balance - Not Available	**1,845**	344
Total Status of Budgetary Resources	**$ 699,732**	$ 664,961
Change in Obligated Balance		
Obligated Balances, Net		
Unpaid Obligations, Brought Forward, October 1	**$ 76,729**	$ 73,058
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	**(2,284)**	(2,069)
Total Unpaid Obligated Balance, Net	**74,445**	70,989
Obligations Incurred, Net	**696,872**	661,815
Gross Outlays	**(693,032)**	(657,659)
Obligated Balance Transferred, Net		
Recoveries of Prior Year Unpaid Obligations, Actual	**(619)**	(485)
Change in Uncollected Customer Payments from Federal Sources	**(238)**	(215)
Obligated Balance, Net, End of Period		
Unpaid Obligations	**79,950**	76,729
Uncollected Customer Payments from Federal Sources	**(2,522)**	(2,284)
Total Unpaid Obligated Balance, Net, End of Period	**$ 77,428**	$ 74,445
Net Outlays		
Net Outlays		
Gross Outlays	**$ 693,032**	$ 657,659
Offsetting Collections	**(14,045)**	(13,491)
Distributed Offsetting Receipts	**(21,198)**	(22,400)
Net Outlays	**$ 657,789**	$ 621,768

The accompanying notes are an integral part of these financial statements.

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
as of January 1, 2008
(In billions)

	2008	2007	2006	2005 unaudited	2004 unaudited
		Estimates from Prior Years			
Actuarial present value for the 75-year projection period of estimated future tax income received from or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	$18,249	$17,515	$16,568	$15,290	$14,388
Have attained retirement eligibility age (Age 62 and over)	542	477	533	464	411
Those expected to become participants (Under age 15)	17,566	16,121	15,006	13,696	12,900
All current and future participants	36,357	34,113	32,107	29,450	27,699
Actuarial present value for the 75-year projection period of estimated future cost for or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	29,021	27,928	26,211	23,942	22,418
Have attained retirement eligibility age (Age 62 and over)	6,958	6,329	5,866	5,395	4,933
Those expected to become participants (Under age 15)	6,933	6,619	6,480	5,816	5,578
All current and future participants	42,911	40,876	38,557	35,154	32,928
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$6,555	-$6,763	-$6,449	-$5,704	-$5,229

Additional Information

	2008	2007	2006	2005 unaudited	2004 unaudited
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$6,555	-$6,763	-$6,449	-$5,704	-$5,229
Combined OASI and DI Trust Fund assets at start of period	2,238	2,048	1,859	1,687	1,531
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost, plus the combined OASI and DI Trust Fund assets at start of period (Note 17)	-$4,316	-$4,715	-$4,591	-$4,017	-$3,699

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

(Presented in Millions)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States Government, is responsible for administering the nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and the actuarial present value for the 75-year projection period for Social Insurance as required by the Office of Management and Budget (OMB) in OMB Circular No. A-136 *Financial Reporting Requirements.*

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America and the form and content for entity financial statements specified by OMB in Circular No. A-136. The Combined Statements of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as the status at the end of the period. It is the only statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal government. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds, and four general fund appropriations. LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by SSA. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program, and Payments for Credits Against Social Security Contributions. SSA's financial statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations but also contains non-material activities.

FUND BALANCE WITH TREASURY

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with the Department of the Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 4, Fund Balance with Treasury.

INVESTMENTS

Daily deposits received by the OASI and DI Trust Funds which are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI Trust Fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201(d) of the *Social Security Act*. These investments consist of U.S. Treasury special-issue bonds. Special-issue bonds are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. Interest is computed semi-annually (June and December). They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets.

PROPERTY, PLANT, AND EQUIPMENT

SSA's property, plant, and equipment (PP&E) are recorded in the LAE program, but represent the capital assets purchased by the OASI, DI, Hospital Insurance (HI), and Supplemental Medical Insurance (SMI) Trust Funds. HI/SMI's share of capital assets is considered Non-Entity Assets. User charges are allocated to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the OASI and DI Trust Funds for their use of OASI and DI Trust Fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, Accounting for Internal Use Software requires the capitalization of internally-developed, contractor-developed and commercial off-the-shelf (COTS) software. The capitalization threshold for most PP&E categories is $100 thousand. Automated Data Processing and Telecommunications Site Preparation, buildings and other structures are capitalized with no threshold.

The change in PP&E from one reporting period to the next is presented on the chart in Note 16, Reconciliation of Net Cost of Operations to Budget on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets purchased by the OASI, DI, and HI/SMI Trust Funds that affect budgetary obligations. However, HI/SMI's share of capital assets is considered a Non-Entity Asset.

BENEFITS DUE AND PAYABLE

Liabilities are accrued for OASI and DI benefits due for the month of September which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals, and civil litigation cases. Refer to Note 8, Liabilities.

BENEFIT PAYMENTS

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally-recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

ADMINISTRATIVE EXPENSES AND OBLIGATIONS

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

Obligations are incurred in the LAE accounts as activity is processed. Obligations are incurred in each of the financing sources (OASI, DI, SSI, and Other) once LAE's authority is recorded. Since LAE is reported with its financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statement of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

RECOGNITION OF FINANCING SOURCES

Financing sources consist of funds transferred from the U.S. Treasury to the OASI and DI Trust Funds for employment taxes (Federal Insurance Contributions Act (FICA) and Self Employment Contributions Act (SECA)), drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those states choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 11, Exchange Revenues. Reimbursements are recognized as the services are performed. These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as PP&E as specified by law.

Capitalized expenditures are recognized in the Consolidated Statements of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

EARMARKED FUNDS

SFFAS No. 27, *Identifying and Reporting Earmarked Funds,* requires separate presentation and disclosure of earmarked funds balances in the financial statements. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

- A statute committing the Federal Government to use specifically-identified revenues and other financing sources only for designated activities, benefits, or purposes;
- Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

SSA’s earmarked funds are the OASI and DI Trust Funds, PTF, and fees collected to cover a portion of SSA’s administrative costs for SSI State Supplementation. Refer to Note 9, Earmarked Funds, for additional information.

RECLASSIFICATIONS

Certain FY 2007 balances have been reclassified to conform to FY 2008 financial statement presentations, the effect of which is immaterial. The primary change occurs in the Statement of Changes in Net Position. These changes are attributable to the implementation of new FY 2008 Standard General Ledger Accounts.

2. CENTRALIZED FEDERAL FINANCING ACTIVITIES

SSA's financial activities interact with and are dependent on the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance, and health benefit programs. However, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing, or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized, and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS.

SSA contributions to CSRS were $104 and $112 million for the years ended September 30, 2008 and 2007. SSA contributions to the basic FERS plan were $297 and $273 million for the years ended September 30, 2008 and 2007. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were $106 and $100 million for the years ended September 30, 2008 and 2007. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by the Office of Personnel Management.

3. NON-ENTITY ASSETS

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA's Non-Entity Assets are shown in chart 3. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable; (2) SSI overpayments collected; (3) General Fund's portion of fees collected to administer SSI State Supplementation; (4) General Fund's portion of fees collected to administer Title VIII State Supplementation; (5) SSI Attorney Fees that are returned to the Department of the Treasury General Fund; and (6) portions of SSA's PP&E that were purchased with HI/SMI funds.

Chart 3 - Non-Entity Assets as of September 30:
($ in millions)

	2008			2007		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
SSI Fed/State A/R	$ 5,240	$ (1,297)	$ 3,943	$ 5,123	$ (1,623)	$ 3,500
SSI Overpayment Coll	3,057	(72)	2,985	2,757	0	2,757
SSI State Supp Fees (GF)	141	0	141	127	0	127
Title VIII State Supp Fees (GF)	1	0	1	1	0	1
SSI Attorney Fees (GF)	5	0	5	4	0	4
PP&E (CMS)	33	0	33	34	0	34
Total	$ 8,477	$ (1,369)	$ 7,108	$ 8,046	$ (1,623)	$ 6,423

The SSI accounts receivable, net, have been reduced by intra-agency eliminations. SSI Federal overpayment collections are included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheet. Public Law 101-157 requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as an SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets. SSI State overpayment collections are used to offset reimbursements due from the states to SSA.

The Fund Balance with Treasury includes the General Fund's portion of fees collected to administer SSI State Supplementation. The fee collection is classified as exchange revenue. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative Fees. In addition, the Fund Balance with Treasury also includes the General Fund's cumulative portion of fees related to Title VIII State Supplementation and SSI Attorney fees.

The CMS portion of PP&E included as part of Property, Plant, and Equipment, Net on the Consolidated Balance Sheet is also recognized as a non-entity asset. The HI/SMI Trust Funds were part of SSA until CMS became a separate agency. Since a portion of HI/SMI funds were used to purchase some of the buildings SSA acquired, HI/SMI retains that portion of assets. Refer to Note 7, Property, Plant, and Equipment, for the major classes of PP&E reported on SSA's financial statements.

4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury (FBWT), shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Funds includes PTF, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and will not match the Fund Balance with Treasury. This means that amounts in chart 4b will not match corresponding activity on the combined SBR.

Chart 4a - Fund Balances as of September 30:
($ in millions)

	2008	2007
Trust Funds*		
OASI	$ (329)	$ (941)
DI	(356)	(361)
LAE	55	9
General Funds		
SSI	4,329	4,445
Other	59	60
Other Funds		
SSI	202	174
Other	2,989	2,760
Total	$ 6,949	$ 6,146

*The term "Trust Funds" is the fund type, as defined by OMB.

Chart 4b - Status of Fund Balances as of September 30:
($ in millions)

	2008	2007
Unobligated Balance		
Available	$ 659	$ 2,481
Unavailable	1,499	76
Obligated Balance Not Yet Disbursed	2,230	1,948
OASI, DI and LAE	(630)	(1,293)
Non-Budgetary FBWT	3,191	2,934
Total	$ 6,949	$ 6,146

The negative fund balances reported for the OASI and DI Trust Funds as of September 30, 2008 and 2007 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. INVESTMENTS AND INTEREST RECEIVABLE

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest bearing securities backed by the full faith and credit of the Federal Government, generally U.S. par-value Treasury special securities. Treasury special securities are issued directly by the Treasury Secretary to the OASI and DI Trust Funds and are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. Therefore, there are no premiums or discounts associated with the redemption of these securities.

SSA's investments in Special-Issue U.S. Treasury Securities are $2,367,138 and $2,182,091 million as of September 30, 2008 and 2007, respectively. The interest rates on these investments range from 3 ½ to 7 ¼ percent and the accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the present to the year 2023. Accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury is an Intragovernmental Interest Receivable, Net, reported on the Consolidated Balance Sheets. Interest receivable amounts are $29,112 and $27,727 million as of September 30, 2008 and 2007.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the U.S. Treasury. Because the OASI and DI Trust Funds and the U.S. Treasury are both part of the Government, these assets and liabilities offset each other for consolidation purposes in the U.S. Government-wide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Government-wide financial statements.

The U.S. Treasury does not set aside financial assets to cover its liabilities associated with the OASI and DI Trust Funds. The cash received from the OASI and DI Trust Funds for investment in these securities is used by the U.S. Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

6. ACCOUNTS RECEIVABLE

INTRAGOVERNMENTAL

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $425 and $451 million as of September 30, 2008 and 2007 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The gross accounts receivable has been reduced by $2,167 and $1,844 million as of September 30, 2008 and 2007 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements.

An allowance for doubtful accounts was not applied to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

WITH THE PUBLIC

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and state SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or received benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and state overpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30:
($ in millions)

	2008			2007		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,685	$ (197)	$ 2,488	$ 2,498	$ (166)	$ 2,332
DI	5,018	(2,013)	3,005	4,735	(1,955)	2,780
SSI*	7,181	(1,835)	5,346	7,005	(1,781)	5,224
LAE	28	0	28	14	0	14
Subtotal	14,912	(4,045)	10,867	14,252	(3,902)	10,350
Less:						
Eliminations**	(1,936)	0	(1,936)	(2,333)	0	(2,333)
Total	$ 12,976	$ (4,045)	$ 8,931	$ 11,919	$ (3,902)	$ 8,017

*See Discussion in Note 3, Non-Entity Assets ** Intra-Agency Eliminations

Chart 6 shows that in FY 2008 and 2007, gross accounts receivable was reduced by $1,936 and $2,333 million as an intra-agency elimination. This intra-agency activity results primarily from Special Disability Workload (SDW) cases. In a prior period, SSA determined that a group of SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. At that time, the agency recognized and established receivables for both the OASI and SSI programs with an offsetting payable in the DI program.

SSA continues to identify and settle SDW cases and current estimates indicate that there are about 65,000 SDW cases remaining for which SSA expects to incur a net accrued liability for the combined OASI and DI Trust Funds and an offsetting SSI receivable. OASI SDW receivables are $639 and $710 million as of September 30, 2008 and 2007. DI SDW receivables are less than $1 million as of September 30, 2008 and 2007. SSI SDW net receivables are $738 and $1,218 million as of September 30, 2008 and 2007.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving 5-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. The ratio is then applied to outstanding receivables to compute the amount of allowances for doubtful accounts.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment, Net, as reported on the Consolidated Balance Sheets is reflected by major class in chart 7.

Chart 7 - Property, Plant, and Equipment as of September 30:
($ in millions)

	2008			2007		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 4	$ 0	$ 4	$ 4	$ 0	$ 4
Buildings	515	(280)	235	513	(268)	245
Equipment (incl. ADP Hardware)	505	(446)	59	483	(401)	82
Internal Use Software	2,937	(1,120)	1,817	2,380	(825)	1,555
Leasehold Improvements	193	(187)	6	189	(183)	6
Total	$ 4,154	$ (2,033)	$ 2,121	$ 3,569	$ (1,677)	$ 1,892

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	3-10 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6 years	Straight Line

8. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when they are incurred. Chart 8a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources.

Chart 8a - Liabilities as of September 30:
($ in millions)

	2008			2007		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	$ 3,937	$ 0	$ 3,937	$ 3,802	$ 0	$ 3,802
Accounts Payable	36	8,008	8,044	38	7,618	7,656
Other	52	204	256	40	187	227
Total Intragovernmental	4,025	8,212	12,237	3,880	7,805	11,685
Benefits Due and Payable	69,977	3,150	73,127	66,924	3,014	69,938
Accounts Payable	34	389	423	16	356	372
Other	736	665	1,401	644	619	1,263
Total	$ 74,772	$ 12,416	$ 87,188	$ 71,464	$ 11,794	$ 83,258

ACCRUED RAILROAD RETIREMENT INTERCHANGE

The Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

INTRAGOVERNMENTAL ACCOUNTS PAYABLE

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

INTRAGOVERNMENTAL OTHER LIABILITIES

Intragovernmental Other Liabilities Covered by budgetary resources includes amounts for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts for the Federal Employees' Compensation Act (FECA), administered by DOL. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA’s accrued liability due to DOL’s FECA Special Benefits Fund for payments made on SSA’s behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is $58 and $55 million as of September 30, 2008 and 2007. Intragovernmental Other Not Covered amounts include $141 and $127 million as of September 30, 2008 and 2007 for SSI State Fees payable to the Department of the Treasury General Fund. Refer to Note 3, Non-Entity Assets and Note 11, Exchange Revenues, for a discussion of the SSI State Administrative Fees.

BENEFITS DUE AND PAYABLE

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 8b shows the amounts for SSA's major programs as of September 30, 2008 and 2007. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, the unadjudicated cases are covered by budgetary resources.

Chart 8b - Benefits Due and Payable as of September 30:
($ in millions)

	2008	2007
OASI	$ 46,418	$ 44,030
DI	24,116	24,017
SSI	4,529	4,224
Subtotal	75,063	72,271
Less: Intra-agency eliminations	(1,936)	(2,333)
Total	$ 73,127	$ 69,938

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Interest and Accounts Receivable. OASI payables are $286 and $325 million as of September 30, 2008 and 2007. DI payables are $2,104 and $2,869 million as of September 30, 2008 and 2007. In FY 2008, the DI SDW payable has decreased by the excess of discharged liabilities for adjudicated cases over continued benefit accrual for previously identified cases not yet adjudicated.

Chart 8b also shows that as of FY 2008 and 2007, gross Benefits Due and Payable was reduced by $1,936 and $2,333 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Interest and Accounts Receivable. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2008 and 2007.

Chart 8c - Net SDW Liability as of September 30: ($ in millions)		
	2008	2007
Net DI Liability	$ 2,103	$ 2,869
Net OASI Receivable	(353)	(384)
Net SSI Receivable	(738)	(1,218)
Net Liability Due to the Public	$ 1,012	$ 1,267

ACCOUNTS PAYABLE

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to states and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the state overpayment, is set up as an accounts payable until payment is made to the states.

OTHER LIABILITIES

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings, and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of $298 and $272 million as of September 30, 2008 and 2007 represents the expected liability from FECA claims for the next 23-year period. This actuarial liability was calculated using historical payment data to project future costs. The remaining portion of Other Liabilities Not Covered by budgetary resources is leave earned but not taken.

CONTINGENT LIABILITIES

We have been apprised by the Internal Revenue Service (IRS) that twelve employment tax refund cases are pending in Federal courts throughout the country. The cases concern whether medical residents should continue to be subject to FICA taxation. FICA taxes are collected by the U.S. Treasury and then transferred to the OASI and DI Trust Funds. The cases concern two different IRS regulations, have led to disparate outcomes for the Government in the various courts on the question of medical resident taxation, and are being actively litigated and appealed. The Government is contesting the cases vigorously. The Department of Justice (Tax Division) is handling the litigation and SSA is not a named party. SSA is not able to make an estimate of the possible liability, if any, at this time.

9. EARMARKED FUNDS

The OASI and DI Trust Funds, PTF, and SSI State Administrative Fees are classified as earmarked funds. These funds obtain revenues primarily through earmarked receipts, such as Social Security payroll taxes, and, to a lesser extent, offsetting collections.

OASI AND DI TRUST FUNDS

The OASI Trust Fund provides assistance and protection against loss of earnings due to retirement or death and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

The OASI and DI Trust Funds are primarily funded by payroll and self-employment taxes. Additional income is provided to these funds from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds and Note 5, Investments and Interest Receivable, for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments and Interest Receivable, for a discussion on Treasury securities.

PTF

PTF consists of transfers authorized by law between the Department of Treasury General Fund and the OASI and DI Trust Funds. PTF activity includes Income Tax on Social Security Benefits, Reimbursable Union Activity, Coal Industry Retiree Health Benefits, Pension Reform, Special Age 72 Benefits, Income Tax Credit Reimbursement, and Unnegotiated Check Reimbursement. PTF funds are warranted from the general fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, PTF is considered earmarked from the point that it is transferred into SSA and reported as Appropriations Received on the Statement of Changes in Net Position.

SSI STATE ADMINISTRATIVE FEES

Administrative Fees collected from states are also classified as earmarked funds. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each state an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the state for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 9a for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2008 and 2007.

Chart 9a - Earmarked Funds as of September 30:
Consolidating Schedule
($ in millions)

	2008				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (329)	$ (356)	$ 72	$ 0	$ (613)
Investments	2,150,651	216,487	0	0	2,367,138
Interest Receivable	26,403	2,709	0	0	29,112
Accounts Receivables	2,492	3,007	0	(644)	4,855
Total Assets	$ 2,179,217	$ 221,847	$ 72	$ (644)	$ 2,400,492
LIABILITIES and NET POSITION					
Liabilities	$ 50,584	$ 25,199	$ 6	$ (644)	$ 75,145
Total Liabilities	50,584	25,199	6	(644)	75,145
Unexpended Appropriations	0	0	54	0	54
Cumulative Results of Operations	2,128,633	196,648	12	0	2,325,293
Total Liabilities and Net Position	$ 2,179,217	$ 221,847	$ 72	$ (644)	$ 2,400,492
Statement of Net Cost					
Program Costs	$ 505,923	$ 104,336	$ (3)	$ 0	$ 610,256
Less Earned Revenue	1	20	139	0	160
Net Cost of Operations	$ 505,922	$ 104,316	$ (142)	$ 0	$ 610,096
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 1,946,664	$ 193,947	$ 63	$ 0	$ 2,140,674
Non-Exchange Revenue	10,058	(1,437)	(139)	0	8,482
Net Cost of Operations	(505,922)	(104,316)	142	0	(610,096)
Taxes and Interest Revenue	677,833	108,454	0	0	786,287
Change in Net Position	181,969	2,701	3	0	184,673
Net Position End of Period	$ 2,128,633	$ 196,648	$ 66	$ 0	$ 2,325,347

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,600 million of liabilities in the earmarked funds for the year ended September 30, 2008 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in chart 9a.

Chart 9a - Earmarked Funds as of September 30:
Consolidating Schedule
($ in millions)

	2007				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (941)	$ (361)	$ 65	$ 0	$ (1,237)
Investments	1,968,262	213,829	0	0	2,182,091
Interest Receivable	25,041	2,686	0	0	27,727
Accounts Receivables	2,332	2,780	0	(710)	4,402
Total Assets	$ 1,994,694	$ 218,934	$ 65	$ (710)	$ 2,212,983
LIABILITIES and NET POSITION					
Liabilities	$ 48,030	$ 24,987	$ 2	$ (710)	$ 72,309
Total Liabilities	48,030	24,987	2	(710)	72,309
Unexpended Appropriations	0	0	57	0	57
Cumulative Results of Operations	1,946,664	193,947	6	0	2,140,617
Total Liabilities and Net Position	$ 1,994,694	$ 218,934	$ 65	$ (710)	$ 2,212,983
Statement of Net Cost					
Program Costs	$ 481,615	$ 97,589	$ 3	$ 0	$ 579,207
Less Earned Revenue	0	0	119	0	119
Net Cost of Operations	$ 481,615	$ 97,589	$ (116)	$ 0	$ 579,088
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 1,771,908	$ 183,007	$ 63	$ 0	$ 1,954,978
Adjustments	(5,042)	5,042	0	0	0
Beginning Balances, Adjusted	$ 1,766,866	$ 188,049	$ 63	$ 0	$ 1,954,978
Non-Exchange Revenue	10,568	(1,512)	(116)	0	8,940
Net Cost of Operations	(481,615)	(97,589)	116	0	(579,088)
Taxes and Interest Revenue	650,845	104,999	0	0	755,844
Change in Net Position	179,798	5,898	0	0	185,696
Net Position End of Period	$ 1,946,664	$ 193,947	$ 63	$ 0	$ 2,140,674

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,785 million of liabilities in the earmarked funds for the year ended September 30, 2007 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in chart 9a.

Chart 9b present the Statement of Changes in Net Position in columnar format. Eliminations have no effect on columnar totals presented for the years ended September 30, 2008 and 2007.

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
($ in millions)

	2008		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 2,140,617	$ 175	$ 2,140,792
Budgetary Financing Sources			
Appropriations Used	17,833	44,289	62,122
Tax Revenues (Note 13)	671,182	0	671,182
Interest Revenues	115,105	0	115,105
Transfers -In/Out - Without Reimbursements	(5,247)	6,957	1,710
RailRoad Retirement Interchange	(4,184)	0	(4,184)
Net Transfers-In/Out	(9,431)	6,957	(2,474)
Other Budgetary Financing Sources	83	0	83
Other Financing Sources (Non-Exchange)			
Imputed Financing Sources (Note 14)	0	496	496
Other	0	(3,201)	(3,201)
Total Financing Sources	794,772	48,541	843,313
Net Cost of Operations	610,096	48,295	658,391
Net Change	184,676	246	184,922
Cumulative Results of Operations	$ 2,325,293	$ 421	$ 2,325,714

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
($ in millions)

	2008		
	Unexpended Appropriations		
	Consolidated Earmarked Funds		Consolidated Total
Beginning Balances	$ 57		$ 2,279
Budgetary Financing Sources			
Appropriations Received	17,840	43,847	61,687
Other Adjustments	(10)	(56)	(66)
Appropriations Used	(17,833)	(44,289)	(62,122)
Total Budgetary Financing Sources	(3)	(498)	(501)
Net Change	(3)	(498)	(501)
Total Unexpended Appropriations	54	1,724	1,778
Net Position	$ 2,325,347	$ 2,145	$ 2,327,492

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
Consolidated Schedule
($ in millions) RECLASSIFIED

	2007		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 1,954,921	$ (161)	$ 1,954,760
Budgetary Financing Sources			
Appropriations Used	19,326	39,726	59,052
Tax Revenues (Note 13)	647,387	0	647,387
Interest Revenues	108,457	0	108,457
Transfers In/Out Without Reimbursement	(6,268)	6,652	384
Railroad Retirement Interchange	(4,068)	0	(4,068)
Net Transfers In/Out	(10,336)	6,652	(3,684)
Other Budgetary Financing Sources	69	0	69
Other Financing Sources (Non-Exchange)			
Transfers-In/Out	0	(17)	(17)
Imputed Financing Sources (Note 14)	0	541	541
Other	(119)	(2,887)	(3,006)
Total Financing Sources	764,784	44,015	808,799
Net Cost of Operations	579,088	43,679	622,767
Net Change	185,696	336	186,032
Cumulative Results of Operations	$ 2,140,617	$ 175	$ 2,140,792

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
($ in millions)

	2007		
	Unexpended Appropriations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 57	$ 1,614	$ 1,671
Budgetary Financing Sources			
Appropriations Received	19,335	40,334	59,669
Other Adjustments	(9)	0	(9)
Appropriations Used	(19,326)	(39,726)	(59,052)
Total Budgetary Financing Sources	0	608	608
Net Change	0	608	608
Total Unexpended Appropriations	57	2,222	2,279
Net Position	$ 2,140,674	$ 2,397	$ 2,143,071

10. OPERATING EXPENSES

CLASSIFICATION OF OPERATING EXPENSES BY MAJOR PROGRAM

Chart 10a displays SSA's operating expenses for each major program. The HI/SMI Trust Funds' shares of SSA's operating expenses, which include the Medicare Prescription Drug Program, are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statements of Net Cost. OASI and DI Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of state agencies for vocational rehabilitation of DI and SSI beneficiaries.

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

	2008				
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total
OASI	$ 2,642	$ 35	$ 702	$ 0	$ 3,379
DI	2,435	32	130	103	2,700
SSI	3,025	0	0	107	3,132
Other	1,820	27	0	(3)	1,844
	$ 9,922	$ 94	$ 832	$ 207	$ 11,055

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

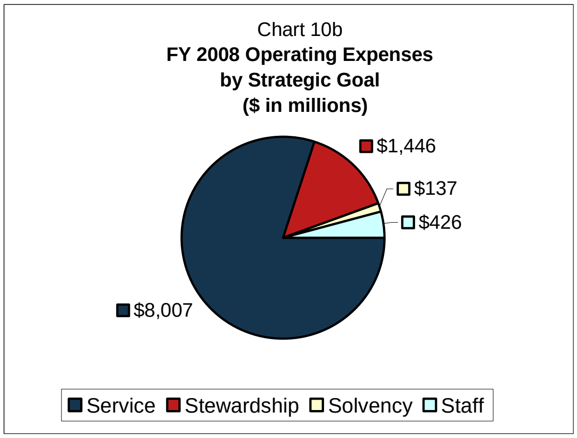
	2007				
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total
OASI	$ 2,474	$ 36	$ 589	$ 0	$ 3,099
DI	2,347	34	106	73	2,560
SSI	3,013	0	0	104	3,117
Other	1,662	24	0	3	1,689
	$ 9,496	$ 94	$ 695	$ 180	$ 10,465

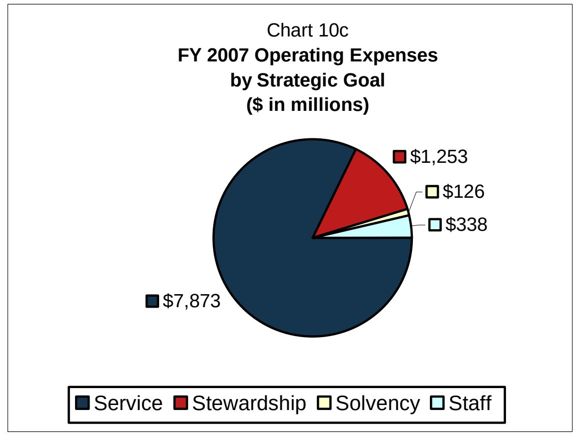
CLASSIFICATION OF OPERATING EXPENSES BY STRATEGIC GOAL

SSA's Annual Performance Plan (APP) is characterized by broad-based strategic goals that are supported by the entire Agency. The four goals are:

- Service -- To deliver high-quality, citizen-centered service;
- Stewardship -- To ensure superior stewardship of Social Security programs and resources;
- Solvency -- To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations; and
- Staff -- To strategically manage and align staff to support SSA's mission.

Charts 10b and 10c exhibit distribution of FY 2008 and 2007 SSA and OIG LAE operating expenses to the four APP Strategic goals which agree to the Agency's LAE budget appropriation. OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see chart 10a) are not included in LAE by strategic goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.





11. EXCHANGE REVENUES

Revenue from exchange transactions is recognized when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenues are $347 and $284 million for the years ended September 30, 2008 and 2007. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 23 states and the District of Columbia to administer some or all of the states' supplement to Federal SSI benefits. Additional administrative fees are collected for administering Title VIII State Supplementation and handling SSI attorney fees. SSA earned administrative fee revenue in the amount of $285 and $250 million for the years ended September 30, 2008 and 2007.

A portion of the administrative fees we earn are non-entity assets. These fees are included within Fund Balance with Treasury in the amount of $146 and $131 million as of September 30, 2008 and 2007. The portion of these non-entity asset fees collected to administer SSI State Supplementation total $141 and $127 million as of September 30, 2008 and 2007. The fees are deposited directly to the Department of the Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. The remainder of the administrative fees, which meet the criteria of an earmarked fund, in the amount of $139 and $119 million for the years ended September 30, 2008 and 2007 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned $62 and $34 million for the years ended September 30, 2008 and 2007 in other exchange revenue.

12. COSTS AND EXCHANGE REVENUE CLASSIFICATIONS

Chart 12 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits and imputed financing costs. Refer to Note 14, Imputed Financing, for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, payroll, and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the states' portion of SSI payments. Other Program primarily reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 12- Costs and Exchange Revenue Classifications as of September 30:
($ in millions)

	2008			2007		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,438	$ (7)	$ 1,431	$ 1,291	$ (6)	$ 1,285
Public	507,162	(5)	507,157	482,834	(3)	482,831
OASI Subtotal	508,600	(12)	508,588	484,125	(9)	484,116
DI Program						
Intragovernmental	817	(7)	810	774	(5)	769
Public	105,986	(23)	105,963	99,196	(3)	99,193
DI Subtotal	106,803	(30)	106,773	99,970	(8)	99,962
SSI Program						
Intragovernmental	857	(8)	849	853	(7)	846
Public	40,624	(289)	40,335	36,406	(254)	36,152
SSI Subtotal	41,481	(297)	41,184	37,259	(261)	36,998
Other Program						
Intragovernmental	516	(5)	511	475	(4)	471
Public	1,338	(3)	1,335	1,222	(2)	1,220
Other Subtotal	1,854	(8)	1,846	1,697	(6)	1,691
Total	$ 658,738	$ (347)	$ 658,391	$ 623,051	$ (284)	$ 622,767

13. TAX REVENUES

Employment tax revenues are estimated monthly by the Department of the Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by the Department of the Treasury to credit the Social Security OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service (IRS) or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of $671,182 and $647,387 million for the years ended September 30, 2008 and 2007.

14. IMPUTED FINANCING

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of $888 and $939 million for the years ended September 30, 2008 and 2007 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life, and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of $496 and $541 million for the years ended September 30, 2008 and 2007 that primarily represents annual service cost not paid by SSA.

15. BUDGETARY RESOURCES

APPROPRIATIONS RECEIVED

The Combined Statements of Budgetary Resources discloses Appropriations Received of $864,648 and $832,560 million for the years ended September 30, 2008 and 2007. Appropriations Received on the Consolidated Statements of Changes in Net Position are $61,687 and $59,669 million for the same years. The primary differences of $802,961 and $772,891 million represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA’s Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB’s directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects, or a combination of these categories are classified as Category B. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B, and Exempt from Apportionment.

Chart 15a - Apportionment Categories of Obligations Incurred as of September 30:
($ in millions)

	2008			2007		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	$ 54,704	$ 4,415	$ 59,119	$ 50,450	$ 3,991	$ 54,441
Exempt	637,748	5	637,753	607,374	0	607,374
Total	$ 692,452	$ 4,420	$ 696,872	$ 657,824	$ 3,991	$ 661,815

PERMANENT INDEFINITE APPROPRIATION

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, *Foster Care Independence Act of 1999*. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, the veterans' SSI benefits would terminate the month after leaving the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES

All OASI and DI Trust Fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated in the OASI and DI Trust Funds. The portion of OASI and DI Trust Fund receipts collected in the FY that exceeds the amount needed to pay benefits and other valid obligations in that FY is precluded by law from being available for obligation. At the end of the FY, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the SBR; therefore, it is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the OASI and DI Trust Funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays OASI and DI Trust Fund activities and balances. The OASI and DI Trust Fund Balances, Ending, are included in Investments on the Consolidated Balance Sheets.

Chart 15b - OASI and DI Trust Fund Activities as of September 30:
($ in millions)

	2008	2007
Beginning Balance	$ 2,108,790	$ 1,924,920
Receipts	803,017	773,198
Less Obligations	619,933	589,328
Excess of Receipts Over Obligations	183,084	183,870
Ending Balance	$ 2,291,874	$ 2,108,790

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of unpaid orders of goods and/or services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are $1,552 and $1,481 million for the years ended September 30, 2008 and 2007.

EXPLANATION OF MATERIAL DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

A reconciliation of budgetary resources, obligations incurred and outlays as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2007 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2008 and 2007
(Dollars in Millions)

	2008	2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 696,872**	$ 661,815
Offsetting Collections and Recoveries	**(14,903)**	(14,190)
Obligations Net of Offsetting Collections and Recoveries	**681,969**	647,625
Offsetting Receipts	**(21,198)**	(22,400)
Net Obligations	**660,771**	625,225
Other Resources		
Imputed Financing	**496**	541
Other	**(284)**	(249)
Net Other Resources Used to Finance Activities	**212**	292
Total Resources Used to Finance Activities	**660,983**	625,517
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(50)**	238
Resources that Fund Expenses Recognized in Prior Periods	**0**	(3)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**21,178**	21,461
Resources that Finance the Acquisition of Assets	**(584)**	(492)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(23,197)**	(24,666)
Total Resources Not Part of the Net Cost of Operations	**(2,653)**	(3,462)
Total Resources Used to Finance the Net Cost of Operations	**658,330**	622,055
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	**12**	0
Other	**165**	386
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**177**	386
Components Not Requiring or Generating Resources		
Depreciation and Amortization	**355**	296
Other	**(471)**	30
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**(116)**	326
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**61**	712
Net Cost of Operations	**$ 658,391**	$ 622,767

Chart 16, presents a reconciliation between SSA's budgetary and proprietary accounting. This reconciliation shows the relationship between the net obligations derived from the Statement of Budgetary Resources and net costs of operations derived from the Statement of Net Costs by identifying and explaining key items that affect one statement but not the other.

17. SOCIAL INSURANCE DISCLOSURES

The Statement of Social Insurance discloses the actuarial present value for the 75-year projection period of the estimated future tax income, estimated future cost, and the excess of income over cost for the "open group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASI and or DI Social Insurance programs.

Actuarial present values are computed on the basis of the intermediate economic and demographic assumptions specified in the 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (the Trustees Report) for the 75-year projection period beginning January 1, 2008. Similar estimates are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting actuarial present values at January 1 of the applicable year.

Estimated future tax income consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on assets held in the combined OASI and DI Trust Fund. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.

In addition to the actuarial present value of estimated future excess of income over cost, shown in the basic financial statements, for the open group of participants, it is possible to make a similar calculation for a "closed group" of participants. The closed group of participants considered here consists of those who, in the starting year of the projection period, have attained age 15 or higher. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. In order to calculate the actuarial present value of estimated future excess of income over cost for the closed group, one would subtract the actuarial present value of estimated future cost for or on behalf of the specified group of current participants from the actuarial present value of estimated future tax income for that group of participants.

Also included in the Statement of Social Insurance as "additional information" for the open group are: (1) the actuarial present value of the excess of estimated future income over the estimated future cost; (2) the combined OASI and DI Trust Fund assets at the start the period; and (3) the sum of (1) and (2). While this additional information is not required by the applicable accounting standards, we believe their inclusion enhances evaluation of the financial status of the program.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund assets, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund assets as of January 1, 2008 totaled $2,238 billion and were comprised almost entirely of investment securities which are backed by the full faith and credit of the Federal Government.

The actuarial present value, for a 75-year projection period, of estimated future excess of income over cost, plus the combined OASI and DI Trust Fund assets at the start of the period, is shown as a negative value which represents the magnitude of what is commonly referred to as the "open group unfunded obligation" of the program over the 75-year projection period. This value is included in the applicable Trustees Report and is also shown in the Report as a percentage of taxable payroll and gross domestic product over the period.

It is important to note that the open group unfunded obligation actually represents the amount of benefits scheduled in the law that would not be payable in the years after the assets in the combined OASI and DI Trust Fund become exhausted. The OASDI program lacks borrowing authority. Thus, when reserves in the combined OASI and DI Trust Fund are depleted, the amount of money available to pay benefits and other expenses would be limited to current tax income. Therefore, barring legislative action, this unfunded obligation represents a burden that would be borne through reductions in the level of scheduled benefits and/or delays in the payment of these benefits.

ASSUMPTIONS USED FOR THE STATEMENT OF SOCIAL INSURANCE

The estimates used in this presentation for the current year (2008) are based on the assumption that the income and cost of the programs will continue at the levels scheduled under current law. They are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2008

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real-Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2008	2.06	822.2	75.4	79.9	1,250,000	1.3	4.1	2.8	0.4	2.3	4.4%
2010	2.06	812.2	75.7	80.0	1,195,000	1.3	4.0	2.8	0.9	2.7	5.6%
2020	2.03	750.5	76.9	80.9	1,130,000	1.1	3.9	2.8	0.5	2.2	5.7%
2030	2.01	689.8	78.0	81.8	1,085,000	1.1	3.9	2.8	0.4	2.1	5.7%
2040	2.00	635.9	79.0	82.6	1,050,000	1.1	3.9	2.8	0.5	2.2	5.7%
2050	2.00	588.6	80.0	83.4	1,035,000	1.1	3.9	2.8	0.4	2.1	5.7%
2060	2.00	546.8	80.8	84.2	1,030,000	1.1	3.9	2.8	0.4	2.1	5.7%
2070	2.00	509.8	81.7	84.9	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%
2080	2.00	476.8	82.4	85.6	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex assumed for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for a group of persons born in the selected year is the average that would be attained by such persons if the group were to experience in succeeding years the death rates by age assumed for the given year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment and the average annual Consumer Price Index (CPI).
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W).
8. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services in the U.S. economy, expressed in 2000 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which are compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

The estimates used in the Statement of Social Insurance for the current year and in corresponding Statements in prior years are based on various economic and demographic assumptions. The values for each of these assumptions move from recently experienced levels or trends toward long-range ultimate values within 25 years from the start of the projection period. These ultimate values are summarized in Table 2. Detailed information, similar to that denoted within Table 1, is available on the SSA website at: http://www.ssa.gov/finance/ for the prior four years.

Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statement of Social Insurance for Current and Prior Years

Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex Adjusted Death Rates[2]	Net Annual Immigration (persons per year)[3]	Real-Wage Differential[4] (percentage points)	Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5]	Average Annual Percentage Change In: CPI[6]	Average Annual Percentage Change In: Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2008	2.0	0.75	1,070,000	1.1	3.9	2.8	0.5	2.9
FY 2007	2.0	0.71	900,000	1.1	3.9	2.8	0.4	2.9
FY 2006	2.0	0.72	900,000	1.1	3.9	2.8	0.4	2.9
FY 2005 unaudited	1.95	0.72	900,000	1.1	3.9	2.8	0.3	3.0
FY 2004 unaudited	1.95	0.72	900,000	1.1	3.9	2.8	0.4	3.0

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for, the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in the 25th year of the projection period. For the 2006 estimates, the ultimate total fertility rate was increased from 1.95 to 2.0.
2. The age-sex-adjusted death rate is computed as the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2008 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1. For the 2008 estimates, the average annual percentage reduction in death rates increased largely due to the increased ultimate assumed rate of mortality reduction for ages 15-64.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the 2008 Statement, the ultimate level of net legal immigration was increased from 600,000 to 750,000 persons per year. In addition, the method for projecting annual net other immigration was changed and the annual level of net immigration now varies throughout the projection period. For the 2008 Statement, the value shown is the average net immigration level projected for the 75 year projection period based on the levels shown in Table 1. For the 2003-2007 Statements, the ultimate assumption is shown in the table and is reached by the 20th year of the projection period.
4. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment, and the average annual Consumer Price Index (CPI). Except for minor fluctuations, the ultimate assumption is reached within the first 10 years of the projection period.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The annual rate of change stabilizes after the first 10 years of the projection period except for minor fluctuations.
6. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The ultimate assumption is reached within the first 10 years of the projection period. For the 2004 estimates, the assumption was decreased from 3.0 to 2.8 percent.
7. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2008 Statement, the average annual rate of change is consistent with the annual percentages as shown in Table 1.

8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached within the first 10 years of the projection period. For the 2006 Statement, the assumption was decreased from 3.0 to 2.9 percent. For the 2008 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2008-2004 Trustees Reports. Estimates made in prior years differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Additional information on Social Insurance is contained in the *Required Supplementary Information: Social Insurance* of this report.

18. RECOVERY OF MEDICARE PREMIUMS

SSA identified a systemic and recurring error in the process for recovering certain transfers to the Centers for Medicare and Medicaid Services (CMS) of Medicare Part B premiums. Beneficiaries of OASDI may elect to have SSA withhold their monthly Medicare premium. In these cases, SSA acts as an intermediary by collecting Medicare premiums through withholdings from social security payments. The premiums are then transferred to CMS. If notification of a beneficiary's death is not received timely, payments may be disbursed after a beneficiary's death and Medicare premium transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, SSA generally did not have procedures to recover Medicare premiums transferred to CMS. As a result, SSA estimates that approximately $800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002. SSA and Health and Human Services are currently conducting research to determine the most appropriate legal resolution to this issue.

This page was intentionally left blank.

Other Accompanying Information: Balance Sheet by Major Program as of September 30, 2008
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (329)	$ (356)	$ 4,531	$ 3,048	$ 55	$ 0	$ 6,949
Investments	2,150,651	216,487	0	0	0	0	2,367,138
Interest Receivable, Net	26,403	2,709	0	0	0	0	29,112
Accounts Receivable, Net	4	2	0	72	2,514	(2,167)	425
Total Intragovernmental	2,176,729	218,842	4,531	3,120	2,569	(2,167)	2,403,624
Accounts Receivable, Net	2,488	3,005	5,346	0	28	(1,936)	8,931
Property, Plant, and Equipment, Net	0	0	0	0	2,121	0	2,121
Other	0	0	0	0	4	0	4
Total Assets	$ 2,179,217	$ 221,847	$ 9,877	$ 3,120	$ 4,722	$ (4,103)	$ 2,414,680
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 3,497	$ 440	$ 0	$ 0	$ 0	$ 0	$ 3,937
Accounts Payable	669	634	5,810	3,062	36	(2,167)	8,044
Other	0	0	145	1	110	0	256
	4,166	1,074	5,955	3,063	146	(2,167)	12,237
Benefits Due and Payable	46,418	24,116	4,529	0	0	(1,936)	73,127
Accounts Payable	0	9	401	0	13	0	423
Other	0	0	411	3	987	0	1,401
Total Liabilities	50,584	25,199	11,296	3,066	1,146	(4,103)	87,188
Net Position							
Unexpended Appropriations-Earmarked Funds	0	0	0	54	0	0	54
Unexpended Appropriations-Other Funds	0	0	1,719	0	5	0	1,724
Cumulative Results of Operations-Earmarked Funds	2,128,633	196,648	12	0	0	0	2,325,293
Cumulative Results of Operations-Other Funds	0	0	(3,150)	0	3,571	0	421
Total Net Position	2,128,633	196,648	(1,419)	54	3,576	0	2,327,492
Total Liabilities and Net Position	$ 2,179,217	$ 221,847	$ 9,877	$ 3,120	$ 4,722	$ (4,103)	$ 2,414,680

Other Accompanying Information: Schedule of Net Cost for the Year Ended September 30, 2008
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payments	$ 505,221	$ 0	$ 505,221
Operating Expenses	702	2,677	3,379
Total Cost of OASI Program	505,923	2,677	508,600
Less: Exchange Revenues	1	11	12
Net Cost of OASI Program	505,922	2,666	508,588
DI Program			
Benefit Payments	104,103	0	104,103
Operating Expenses	233	2,467	2,700
Total Cost of DI Program	104,336	2,467	106,803
Less: Exchange Revenues	20	10	30
Net Cost of DI Program	104,316	2,457	106,773
SSI Program			
Benefit Payments	38,349	0	38,349
Operating Expenses	107	3,025	3,132
Total Cost of SSI Program	38,456	3,025	41,481
Less: Exchange Revenues	284	13	297
Net Cost of SSI Program	38,172	3,012	41,184
Other			
Benefit Payments	10	0	10
Operating Expenses	(3)	1,847	1,844
Total Cost of Other	7	1,847	1,854
Less: Exchange Revenues	0	8	8
Net Cost of Other	7	1,839	1,846
Total Net Cost			
Benefit Payments	647,683	0	647,683
Operating Expenses	1,039	10,016	11,055
Total Cost	648,722	10,016	658,738
Less: Exchange Revenues	305	42	347
Total Net Cost	$ 648,417	$ 9,974	$ 658,391

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2008
(Dollars in Millions)

	OASI	DI	SSI	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances				
Earmarked Funds	$ 1,946,664	$ 193,947	$ 6	$ 0
All Other Funds	0	0	(3,012)	2,207
Beginning Balances, Total	1,946,664	193,947	(3,006)	2,207
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	43,811
Other Adjustments				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	(54)
Appropriations Used				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	44,245	(44,245)
Tax Revenues-Earmarked Funds	573,750	97,432	0	
Interest Revenues-Earmarked Funds	104,083	11,022	0	
Transfers In/Out Without Reimbursement				
Earmarked Funds	13,768	(1,046)	(133)	
All Other Funds	0	0	(2,878)	
Railroad Retirement Interchange - Earmarked Funds	(3,730)	(454)	0	
Net Transfers In/Out				
Earmarked Funds	10,038	(1,500)	(133)	
All Other Funds	0	0	(2,878)	
Other Budgetary Financing Sources-				
Earmarked Funds	20	63	0	
Other Financing Sources (Non-Exchange)				
Transfers In/Out-All Other Funds	0	0	(3,056)	
Imputed Financing Sources-All Other Funds	0	0	7	
Other				
Earmarked Funds	0	0	0	
All Other Funds	0	0	(145)	
Total Financing Sources				
Earmarked Funds	687,891	107,017	(133)	0
All Other Funds	0	0	38,173	(488)
Net Cost of Operations				
Earmarked Funds	505,922	104,316	(139)	
All Other Funds	0	0	38,311	
Net Change				
Earmarked Funds	181,969	2,701	6	0
All Other Funds	0	0	(138)	(488)
Ending Balances				
Earmarked Funds	2,128,633	196,648	12	0
All Other Funds	0	0	(3,150)	1,719
Total All Funds	$ 2,128,633	$ 196,648	$ (3,138)	$ 1,719

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2008 (Continued)

(Dollars in Millions)

	Other		LAE		Consolidated	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances						
Earmarked Funds	$ 0	$ 57	$ 0	$ 0	$ 2,140,617	$ 57
All Other Funds	0	0	3,187	15	175	2,222
Beginning Balances, Total	0	57	3,187	15	2,140,792	2,279
Budgetary Financing Sources						
Appropriations Received						
Earmarked Funds	0	17,840	0	0	0	17,840
All Other Funds	0	10	0	26	0	43,847
Other Adjustments						
Earmarked Funds	0	(10)	0	0		(10)
All Other Funds	0	0	0	(2)	0	(56)
Appropriations Used						
Earmarked Funds	17,833	(17,833)	0	0	17,833	(17,833)
All Other Funds	10	(10)	34	(34)	44,289	(44,289)
Tax Revenues-Earmarked Funds	0	0	0		671,182	
Interest Revenues-Earmarked Funds	0	0	0		115,105	
Transfers In/Out Without Reimbursement						
Earmarked Funds	(17,836)	0	0		(5,247)	
All Other Funds	0	0	9,835		6,957	
Railroad Retirement Interchange – Earmarked Funds	0	0	0		(4,184)	
Net Transfers In/Out						
Earmarked Funds	(17,836)		0		(9,431)	
All Other Funds	0		9,835		6,957	
Other Budgetary Financing Sources-						
Earmarked Funds	0		0		83	
Other Financing Sources (Non-Exchange)						
Transfers In/Out-All Other Funds	3,056		0		0	
Imputed Financing Sources-All Other Funds	0		489		496	
Other						
Earmarked Funds	0		0		0	
All Other Funds	(3,056)		0		(3,201)	
Total Financing Sources						
Earmarked Funds	(3)	(3)	0	0	794,772	(3)
All Other Funds	10	0	10,358	(10)	48,541	(498)
Net Cost of Operations						
Earmarked Funds	(3)		0		610,096	
All Other Funds	10		9,974		48,295	
Net Change						
Earmarked Funds	0	(3)	0	0	184,676	(3)
All Other Funds	0	0	384	(10)	246	(498)
Ending Balances						
Earmarked Funds	0	54	0	0	2,325,293	54
All Other Funds	0	0	3,571	5	421	1,724
Total All Funds	$ 0	$ 54	$ 3,571	$ 5	$ 2,325,714	$ 1,778

Required Supplementary Information: Schedule of Budgetary Resources for the Year Ended September 30, 2008

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 2,501	$ 56	$ 589	$ 3,146
Recoveries of Prior Year Unpaid Obligations	2	1	380	0	236	619
Budget Authority						
Appropriations Received	692,923	109,904	43,945	17,850	26	864,648
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,377	8	44	4,429
Change in Receivable	0	0	(1)	0	2	1
Change in Unfilled Customer Orders						
Advance Received	0	0	18	0	1	19
Expenditure Transfers from Trust Funds	0	0	0	0	9,835	9,835
Subtotal	692,923	109,904	48,339	17,858	9,908	878,932
Nonexpenditure Transfers, Net	139	50	0	0	0	189
Temporary Not Available Pursuant to Public Law	(180,586)	(2,498)	(2)	0	0	(183,086)
Permanently Not Available	(1)	(1)	(54)	(10)	(2)	(68)
Total Budgetary Resources	$ 512,477	$ 107,456	$ 51,164	$ 17,904	$ 10,731	$ 699,732
Status of Budgetary Resources						
Obligations Incurred						
Direct	$ 512,477	$ 107,456	$ 44,689	$ 17,846	$ 9,984	$ 692,452
Reimbursable	0	0	4,370	5	45	4,420
Subtotal	512,477	107,456	49,059	17,851	10,029	696,872
Unobligated Balances						
Apportioned	0	0	638	21	356	1,015
Unobligated Balances - Not Available	0	0	1,467	32	346	1,845
Total Status of Budgetary Resources	$ 512,477	$ 107,456	$ 51,164	$ 17,904	$ 10,731	$ 699,732
Change in Obligated Balances						
Obligated Balances, Net						
Unpaid Obligations, Brought Forward, October 1	$ 48,030	$ 25,048	$ 1,951	$ 3	$ 1,697	$ 76,729
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	0	0	(6)	0	(2,278)	(2,284)
Total Unpaid Obligated Balance, Net	48,030	25,048	1,945	3	(581)	74,445
Obligations Incurred, Net	512,477	107,456	49,059	17,851	10,029	696,872
Gross Outlays	(509,921)	(107,240)	(48,401)	(17,848)	(9,622)	(693,032)
Recoveries of Prior Year Unpaid Obligations, Actual	(2)	(1)	(380)	0	(236)	(619)
Change in Uncollected Payments from Federal Sources	0	0	1	0	(239)	(238)
Obligated Balance, Net, End of Period						
Unpaid Obligations	50,584	25,263	2,229	6	1,868	79,950
Uncollected Customer Payments from Federal Sources	0	0	(5)	0	(2,517)	(2,522)
Total Unpaid Obligated Balance, Net, End of Period	$ 50,584	$ 25,263	$ 2,224	$ 6	$ (649)	$ 77,428
Net Outlays						
Net Outlays						
Gross Outlays	$ 509,921	$ 107,240	$ 48,401	$ 17,848	$ 9,622	$ 693,032
Offsetting Collections	0	0	(4,395)	(7)	(9,643)	(14,045)
Distributed Offsetting Receipts	(16,456)	(1,473)	(284)	(2,985)	0	(21,198)
Net Outlays	$ 493,465	$ 105,767	$ 43,722	$ 14,856	$ (21)	$ 657,789